



OUTLOOK FOR 2001

RECORD or RECESSION



Many of the economic indicators that provide insight to the future prospects of the travel industry are mixed for 2001. Personal consumption will likely slow considerably, especially compared to the high growth rates of recent years. Falling consumer confidence, slower income gains, rising unemployment, and lackluster performance from the stock market will dampen spending. Increasing energy costs, particularly in the West, will cut into consumer's discretionary income. However, within a historical context, consumer confidence remains high and unemployment is still low. Falling interest rates and a possible tax cut will likely be used to combat the slowing economy and may restore confidence and consumer spending. Productivity should continue to improve behind healthy business investment and the strength of the high tech sector.

While the economic environment may offer mixed signals, the local environment for travel and tourism is more positive. The approach of the 2002 Olympic Winter Games should propel the state's tourism industry forward behind the positive impacts of on-going preparations and increased media attention. Between 1996 and 2002 the Olympic Winter Games will create an estimated 35,000 job years of employment, \$1.5 billion in earnings and \$4.5 billion in total economic output. Many of these impacts have already occurred. On an annualized basis, however, 2001 will experience the largest economic effects from the Olympics.

Forecasters highlight the following positive and negative growth factors for 2001.

Positive Growth Factors	Negative Growth Factors
<ul style="list-style-type: none">• Completion of Olympic venues and subsequent hosting of Olympic test events• Increased media attention related to preparations for and hosting of the 2002 Winter Olympics• Significant progress and completion of major infrastructure projects such as I-15, TRAX and ski resort improvements• Moderating oil prices• Declining interest rates and a possible tax cut• Increasing productivity leading to real income gains• More favorable exchange rates• Improving international economies, notably in Western Europe and Japan• Growth in Utah's core market segments, including adventure travel, "back-to-nature" tourism and family travel• Continued interest in the American West, including western heritage, Native American heritage and other historic and pre-historic sites• Continued growth of the LDS Church with the addition of the Conference Center and the Main Street Plaza to church headquarter buildings and other church-related sites• Increased convention space and an excess capacity of hotel rooms, especially in the Salt Lake market	<ul style="list-style-type: none">• A national or regional economic slowdown that is accompanied by lower consumer confidence and less consumer spending• Perceptions that Utah is "closed for business," "under construction" or "very expensive" due to Olympic preparations• Additional external shocks, such as sustained high oil prices, higher interest rates, inflationary pressures or setbacks in stock market valuation and new investment• Reduced discretionary income due to the rising costs of natural gas and electricity, especially in the West• International economic fluctuations including slow growth and unfavorable exchange rates in Canada, Western Europe and Japan• Reduced seat capacity coincident with increased airfare prices to Salt Lake International Airport• Prolonged labor disputes within Delta Airlines• Inability to meet the rising expectations of destination travelers in terms of quality service, convenience and availability of amenities• Natural conditions such as fires or inclement weather

Continued investment in focused marketing and promotion efforts is essential to mitigate potential economic fluctuations and transform the attention and image awareness generated by the Olympics into significant economic gains. Further, integrated marketing messages from state and local tourism development partners can better maximize the effects of promotional spending. Long-range tourism planning and community input must be part of a balanced economic development strategy in order to capture significant, long-lasting benefits from the travel and tourism industry.